M/043/004

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DIVISION OF OIL, GAS AND MINING

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May 8, 1996

TO: Wayne Hedberg, Minerals Permit Supervisor

FROM: Steve Schneider, O&G Audit Manager Steve

RE: 1995 Utelite Corporation Financial Statements

Per your request, I have reviewed the 1995 Utelite Corporation ("Utelite") financial statements. In summary, Utelite continued to operate as a profitable company in 1995 although their financial ratios failed to show improvement.

The information of greatest importance in the financial statements this year is actually included in the notes to the statements. Utelite has signed a nonbinding Letter of Intent to sell their operating assets to a large company. In addition, Utelite secured $1,250,000 of financing in January 1996 to pursue a major plant expansion including the addition of a kiln. These two factors will certainly impact the amount and possibly the form of surety for this operation.

The following financial information is provided for your review regarding 1995:

1. The current ratio has declined slightly to 2.43 from 2.77 last year. The 1995 current ratio is less than the December 1988 standard of 9.61, however Utelite still maintains a current ratio which is more than double the Board's normal standard of 1.2 or greater.

2. The total liability to net worth ratio has increased in 1995 to .18 from .13 due to an increase in current notes payable. The 1994 ratio is greater than the Board's December 1988 standard of .08 or less, but is far less than the Board's normal standard of 2.5 or less.

3. Net fixed assets decreased in 1995 by 4% primarily due to the additional depreciation taken upon the new equipment purchases in 1994. Fixed assets in 1995 are 136% above the 1988 level.

4. Tangible net worth decreased by 1% in 1995 since more dividends were paid to stockholders than net income earned by the company operations. Tangible net worth is 133% above the 1988 level.

5. Net income decreased by 17% in 1995, however net income is 251% above 1988's level.

If you have any questions on the above comments or the attached financial ratios, please let me know.

Attachment
cc: R. J. Firth

Utelite Financial Ratio Review

	12/88	12/89	12/90	12/91	12/92	12/93	12/94	12/95
CUR ASSETS/CUR LIABILITIES Normal std of 1.2 or greater Board req'd 12/88 maintained	9.61	12.39	8.46	8.08	17.56	6.24	2.77	2.43
TOTAL LIABILITIES/NET WORTH Normal std of 2.5 or less Board req'd 12/88 maintained	0.08	0.04	0.07	0.10	0.03	0.08	0.13	0.18
FIXED ASSETS Normal std of $20 million Board did not require	$603,208	$711,737	$973,650	$1,141,181	$942,346	$856,031	$1,485,834	$1,426,262
TANGIBLE NET WORTH Normal std of $10 million Board did not require	$1,030,746	$1,601,482	$2,077,873	$2,226,354	$2,299,031	$2,391,802	$2,440,981	$2,406,078
NET INCOME For information only	$66,018	$474,664	$859,584	$317,529	$535,435	$340,936	$280,836	$231,760

SLS
5/8/96